

**Prosperity Dielectrics Co., Ltd. and  
Subsidiaries**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2021 and 2020 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders  
Prosperity Dielectrics Co., Ltd.

### Introduction

We have reviewed the accompanying consolidated balance sheets of Prosperity Dielectrics Co., Ltd. and its subsidiaries (collectively, the "Group") as of June 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2021 and 2020, and of its consolidated financial performance for the three months ended June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Yi-Min Huang and Chin-Chuan Shih.

Yi Min Huang

Chin-Chuan Shih.

Deloitte and Touche  
Taipei, Taiwan  
Republic of China

August 6, 2021

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.*

**PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2021 (Reviewed)		December 31, 2020 (Audited)		June 30, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 1,516,047	17	\$ 1,223,228	15	\$ 1,093,053	15
Financial assets at fair value through profit or loss - current (Note 7)	410,446	5	315,229	4	338,737	5
Financial assets at amortized cost - current (Note 8)	159,003	2	334,900	4	156,193	2
Notes receivable from unrelated parties (Note 9)	28,358	-	60,225	1	26,519	-
Trade receivables from unrelated parties (Note 9)	1,046,348	12	828,593	10	749,654	11
Trade receivables from related parties (Note 27)	303,451	3	157,957	2	174,794	3
Other receivables from unrelated parties	45,902	1	61,757	1	31,733	-
Other receivables from related parties (Note 27)	12,764	-	672	-	4,836	-
Inventories (Note 10)	753,832	8	638,864	8	614,426	9
Other current assets	43,655	-	53,819	1	62,317	1
Total current assets	<u>4,319,806</u>	<u>48</u>	<u>3,675,244</u>	<u>46</u>	<u>3,252,262</u>	<u>46</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 12)	1,540,654	17	1,247,264	16	909,699	13
Financial assets at amortized cost - non-current (Note 8)	172,618	2	172,523	2	167,591	2
Investments accounted for using the equity method (Note 13)	654,515	7	637,274	8	601,916	8
Property, plant and equipment (Note 14)	2,070,342	23	2,000,351	25	1,899,987	27
Right-of-use assets (Note 15)	179,339	2	189,734	2	205,781	3
Computer software	1,277	-	1,804	-	1,676	-
Deferred tax assets (Note 4)	34,250	1	35,734	1	42,219	1
Other non-current assets	7,056	-	13,861	-	10,954	-
Total non-current assets	<u>4,660,051</u>	<u>52</u>	<u>4,298,545</u>	<u>54</u>	<u>3,839,823</u>	<u>54</u>
<b>TOTAL</b>	<u>\$ 8,979,857</u>	<u>100</u>	<u>\$ 7,973,789</u>	<u>100</u>	<u>\$ 7,092,085</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 16)	\$ -	-	\$ 20,000	-	\$ 50,000	1
Trade payables to unrelated parties	459,637	5	420,216	5	438,861	6
Trade payables to related parties (Note 27)	455,056	5	338,004	4	229,062	3
Payables for dividends	500	-	500	-	310,100	4
Other payables to unrelated parties (Note 17)	700,809	8	667,398	9	581,031	8
Other payables to related parties (Note 27)	38,370	1	26,729	-	35,366	1
Current tax liabilities (Note 4)	104,855	1	76,853	1	170,232	2
Lease liabilities - current (Note 15)	27,724	-	28,548	-	28,490	1
Other current liabilities	17,685	-	31,583	1	26,169	-
Total current liabilities	<u>1,804,636</u>	<u>20</u>	<u>1,609,831</u>	<u>20</u>	<u>1,869,311</u>	<u>26</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Note 16)	764,851	8	762,969	10	584,662	8
Lease liabilities - non-current (Note 15)	153,861	2	160,504	2	176,821	3
Deferred revenue - non-current (Note 17)	10,149	-	12,031	-	10,338	-
Net defined benefit liabilities - non-current (Note 4)	46,928	1	48,110	1	44,218	1
Guarantee deposits	26,882	-	21,069	-	14,320	-
Deferred tax liabilities (Note 4)	142,833	2	107,096	1	20,652	-
Total non-current liabilities	<u>1,145,504</u>	<u>13</u>	<u>1,111,779</u>	<u>14</u>	<u>851,011</u>	<u>12</u>
Total liabilities	<u>2,950,140</u>	<u>33</u>	<u>2,721,610</u>	<u>34</u>	<u>2,720,322</u>	<u>38</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Share capital (Note 19)						
Ordinary shares	1,720,000	19	1,720,000	21	1,720,000	24
Capital surplus (Note 19)	498,522	6	497,066	6	497,066	7
Retained earnings (Note 19)						
Legal reserve	430,775	5	430,775	6	430,775	6
Special reserve	67,764	-	69,489	1	69,489	1
Unappropriated earnings	2,598,369	29	2,102,322	26	1,618,917	23
Total retained earnings	3,096,908	34	2,602,586	33	2,119,181	30
Other equity (Note 19)						
Exchange differences on the translation of the financial statements of foreign operations	(123,449)	(1)	(185,087)	(2)	(224,260)	(3)
Unrealized gain on financial assets at fair value through other comprehensive income	892,107	10	577,039	7	217,404	3
Total other equity	768,658	9	391,952	5	(6,856)	-
Treasury shares (Note 19)	(54,371)	(1)	-	-	-	-
Total equity attributable to owners of the Company	6,029,717	67	5,211,604	65	4,329,391	61
<b>NON-CONTROLLING INTERESTS</b>	-	-	40,575	1	42,372	1
Total equity	<u>6,029,717</u>	<u>67</u>	<u>5,252,179</u>	<u>66</u>	<u>4,371,763</u>	<u>62</u>
<b>TOTAL</b>	<u>\$ 8,979,857</u>	<u>100</u>	<u>\$ 7,973,789</u>	<u>100</u>	<u>\$ 7,092,085</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

## PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
NET SALES	\$ 1,628,471	100	\$ 1,319,674	100	\$ 3,089,077	100	\$ 2,400,099	100
COST OF SALES (Note 10)	<u>1,185,828</u>	<u>73</u>	<u>960,228</u>	<u>73</u>	<u>2,299,022</u>	<u>74</u>	<u>1,764,856</u>	<u>73</u>
GROSS PROFIT	<u>442,643</u>	<u>27</u>	<u>359,446</u>	<u>27</u>	<u>790,055</u>	<u>26</u>	<u>635,243</u>	<u>27</u>
OPERATING EXPENSES								
Selling and marketing expenses	43,941	3	44,906	3	85,360	3	77,101	3
General and administrative expenses	40,553	2	37,482	3	82,609	3	72,894	3
Research and development expenses	<u>21,261</u>	<u>1</u>	<u>22,749</u>	<u>2</u>	<u>39,920</u>	<u>1</u>	<u>42,381</u>	<u>2</u>
Total operating expenses	<u>105,755</u>	<u>6</u>	<u>105,137</u>	<u>8</u>	<u>207,889</u>	<u>7</u>	<u>192,376</u>	<u>8</u>
PROFIT FROM OPERATIONS	<u>336,888</u>	<u>21</u>	<u>254,309</u>	<u>19</u>	<u>582,166</u>	<u>19</u>	<u>442,867</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	3,856	-	3,791	-	7,408	-	6,354	-
Dividend income	-	-	4,258	-	-	-	4,258	-
Other income	5,197	-	259	-	9,316	-	8,028	-
Gain on disposal of property, plant and equipment	-	-	-	-	-	-	-	-
Gain on disposal of investments	-	-	5,506	-	9	-	5,506	-
Gain on valuation of financial assets at FVTPL	-	-	32,769	3	19,841	1	-	-
Gain on reversal of impairment loss	1,697	-	1,518	-	3,214	-	3,035	-
Share of profit of associates accounted for using the equity method (Note 13)	1,592	-	-	-	19,456	-	-	-
Interest expense	(2,354)	-	(1,768)	-	(4,714)	-	(3,139)	-
Miscellaneous expenses	(4,493)	-	(1,248)	-	(6,192)	-	(2,409)	-
Foreign exchange loss	(14,309)	(1)	(15,812)	(1)	(3,266)	-	(15,100)	-
Loss on valuation of financial assets at FVTPL	(37,486)	(2)	-	-	-	-	(42,616)	(2)
Share of loss of associates accounted for using the equity method (Note 13)	-	-	(3,236)	-	-	-	(6,603)	-
Total non-operating income and expenses	<u>(46,300)</u>	<u>(3)</u>	<u>26,037</u>	<u>2</u>	<u>45,072</u>	<u>1</u>	<u>(42,686)</u>	<u>(2)</u>
PROFIT BEFORE INCOME TAX	290,588	18	280,346	21	627,238	20	400,181	17
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(76,239)</u>	<u>(5)</u>	<u>(67,349)</u>	<u>(5)</u>	<u>(141,555)</u>	<u>(5)</u>	<u>(95,193)</u>	<u>(4)</u>
NET PROFIT FOR THE PERIOD	<u>214,349</u>	<u>13</u>	<u>212,997</u>	<u>16</u>	<u>485,683</u>	<u>15</u>	<u>304,988</u>	<u>13</u>

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## PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2021		2020		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Note 19)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	\$ 213,614	13	\$ 165,293	12	\$ 336,147	11	\$ (68,410)	(3)
Share of the other comprehensive income (loss) of associates accounted for using the equity method	(8,444)	-	7,306	1	(1,600)	-	(13,608)	(1)
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on the translation of the financial statements of foreign operations	(19,478)	(1)	(42,345)	(3)	(2,185)	-	(54,821)	(2)
Share of the other comprehensive loss of associates accounted for using the equity method	(167)	-	(209)	-	(241)	-	(260)	-
Other comprehensive income (loss) for the period	<u>185,525</u>	<u>12</u>	<u>130,045</u>	<u>10</u>	<u>332,121</u>	<u>11</u>	<u>(137,099)</u>	<u>(6)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 399,874</u>	<u>25</u>	<u>\$ 343,042</u>	<u>26</u>	<u>\$ 817,804</u>	<u>26</u>	<u>\$ 167,889</u>	<u>7</u>
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	\$ 217,278	13	\$ 212,547	16	\$ 488,099	16	\$ 305,557	13
Non-controlling interests	<u>139</u>	<u>-</u>	<u>456</u>	<u>-</u>	<u>866</u>	<u>-</u>	<u>(563)</u>	<u>-</u>
	<u>\$ 217,417</u>	<u>13</u>	<u>\$ 213,003</u>	<u>16</u>	<u>\$ 488,965</u>	<u>16</u>	<u>\$ 304,994</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	\$ 402,849	25	\$ 343,327	26	\$ 819,908	27	\$ 169,616	7
Non-controlling interests	<u>93</u>	<u>-</u>	<u>(279)</u>	<u>-</u>	<u>1,178</u>	<u>-</u>	<u>(1,721)</u>	<u>-</u>
	<u>\$ 402,942</u>	<u>25</u>	<u>\$ 343,048</u>	<u>26</u>	<u>\$ 821,086</u>	<u>27</u>	<u>\$ 167,895</u>	<u>7</u>
EARNINGS PER SHARE (Note 22)								
Basic	<u>\$ 1.27</u>		<u>\$ 1.24</u>		<u>\$ 2.84</u>		<u>\$ 1.78</u>	
Diluted	<u>\$ 1.27</u>		<u>\$ 1.23</u>		<u>\$ 2.84</u>		<u>\$ 1.77</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

**PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company						Other Equity (Note 19)		Treasury Shares	Total	Non-controlling Interests	Total Equity
	Number of Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
				Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE AT JANUARY 1, 2020	172,000	\$ 1,720,000	\$ 497,066	\$ 353,616	\$ 69,489	\$ 1,698,220	\$ (170,337)	\$ 301,321	\$ -	\$ 4,469,375	\$ 44,093	\$ 4,513,468
Appropriation of 2019 earnings (Note 19)												
Legal reserve	-	-	-	77,159	-	(77,159)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(309,600)	-	-	-	(309,600)	-	(309,600)
Net profit for the six months ended June 30, 2020	-	-	-	-	-	305,557	-	-	-	305,557	(563)	304,994
Other comprehensive income for the six months ended June 30, 2020	-	-	-	-	-	-	(53,923)	(82,018)	-	(135,941)	(1,158)	(137,099)
Total comprehensive income for the six months ended June 30, 2020	-	-	-	-	-	305,557	(53,923)	(82,018)	-	169,616	(1,721)	167,895
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 19)	-	-	-	-	-	1,899	-	(1,899)	-	-	-	-
BALANCE AT JUNE 30, 2020	172,000	\$ 1,720,000	\$ 497,066	\$ 430,775	\$ 69,489	\$ 1,618,917	\$ (224,260)	\$ 217,404	\$ -	\$ 4,329,391	\$ 42,372	\$ 4,371,763
BALANCE AT JANUARY 1, 2021	172,000	\$ 1,720,000	\$ 497,066	\$ 430,775	\$ 69,489	\$ 2,102,322	\$ (185,087)	\$ 577,039	\$ -	\$ 5,211,604	\$ 40,575	\$ 5,252,179
Reversal of special reserve appropriated at the first-time adoption of IFRSs	-	-	-	-	(1,725)	1,725	-	-	-	-	-	-
Net profit for the six months ended June 30, 2021	-	-	-	-	-	488,099	-	-	-	488,099	866	488,965
Other comprehensive income for the six months ended June 30, 2021	-	-	-	-	-	-	(2,738)	334,547	-	331,809	312	332,121
Total comprehensive income for the six months ended June 30, 2021	-	-	-	-	-	488,099	(2,738)	334,547	-	819,908	1,178	821,086
Disposal of subsidiaries (Note 23)	-	-	-	-	-	(13,256)	64,376	-	-	51,120	-	51,120
Difference between consideration and carrying amount of subsidiaries acquired (Note 24)	-	-	1,456	-	-	-	-	-	-	1,456	(41,753)	(40,297)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 19)	-	-	-	-	-	19,479	-	(19,479)	-	-	-	-
Buy-back of ordinary shares (Note 19)	-	-	-	-	-	-	-	-	(54,371)	(54,371)	-	(54,371)
BALANCE AT JUNE 30, 2021	172,000	\$ 1,720,000	\$ 498,522	\$ 430,775	\$ 67,764	\$ 2,598,369	\$ (123,449)	\$ 892,107	\$ (54,371)	\$ 6,029,717	\$ -	\$ 6,029,717

The accompanying notes are an integral part of the consolidated financial statements.

# PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 630,520	\$ 400,187
Adjustments for:		
Depreciation expense	194,600	171,305
Amortization expense	2,143	2,379
Net (gain) loss on valuation of financial assets at FVTPL	(19,841)	42,616
Interest expense	4,714	3,139
Interest income	(7,408)	(6,354)
Dividend income	-	(4,258)
Share of (gain) loss of associates accounted for using the equity method	(19,456)	6,603
Gain on disposal of property, plant and equipment	(3,282)	(6)
Gain on disposal of investments	(9)	(5,506)
(Reversal of impairment loss) impairment loss of non-financial assets	(21,307)	6,291
Net loss on foreign currency exchange	3,266	15,100
Changes in operating assets and liabilities		
(Increase) decrease in financial assets mandatorily classified as at fair value through profit or loss	(75,367)	216,151
Decrease in notes receivable from unrelated parties	31,867	2,519
Increase in trade receivables from unrelated parties	(322,103)	(155,784)
(Increase) decrease in trade receivables from related parties	(145,494)	12,179
Decrease in other receivables from unrelated parties	6,151	6,277
Decrease (increase) in other receivables from related parties	14,519	(2,408)
Increase in inventories	(149,111)	(165,707)
Decrease in other current assets	5,748	1,236
Increase in other non-current assets	-	(247)
Increase in trade payables to unrelated parties	85,845	114,793
Increase in trade payables to related parties	117,052	121,905
Increase (decrease) in other payables to unrelated parties	14,352	(25,865)
Decrease in other payables to related parties	(12,365)	(746)
(Decrease) increase in other current liabilities	(11,149)	1,312
Decrease in net defined benefit liabilities	(1,182)	(580)
Cash generated from operations	322,703	756,531
Interest received	6,813	6,096
Interest paid	(4,720)	(2,946)
Income tax paid	(65,199)	(19,993)
Net cash generated from operating activities	<u>259,597</u>	<u>739,688</u>

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# PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	\$ -	\$ (146,787)
Disposal of financial assets at fair value through other comprehensive income	42,758	-
Purchase of financial assets at amortized cost	-	(293,284)
Disposal of financial assets at amortized cost	110,972	-
Net cash inflow on disposal of subsidiaries (Note 23)	356,845	-
Payments for property, plant and equipment	(364,505)	(219,057)
Proceeds from disposal of property, plant and equipment	7,820	6
Decrease in refundable deposits	4,761	70
Acquisition of intangible assets	-	(340)
Net cash generated from (used in) investing activities	<u>158,651</u>	<u>(659,392)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of short-term borrowings	(20,000)	(27,000)
Proceeds from long-term borrowings	1,882	299,129
Proceeds from guaranteed deposits received	5,990	3,675
Repayment of the principal portion of lease liabilities	(14,167)	(14,245)
Decrease in other non-current liabilities	(1,882)	(4,129)
Payments for buy-back of ordinary shares	(54,371)	-
Decrease in non-controlling interests	(40,297)	-
Net cash (used in) generated from financing activities	<u>(122,845)</u>	<u>257,430</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(2,584)</u>	<u>(31,692)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	292,819	306,034
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<u>1,223,228</u>	<u>787,019</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 1,516,047</u>	<u>\$ 1,093,053</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

# PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

Prosperity Dielectrics Co., Ltd. (PDC or the “Company”) was incorporated on May 21, 1990. The Company mainly manufactures, processes and sells multilayer ceramic capacitors (MLCC), chip resistors, semiconductor tiles, ceramic dielectric powders and magnetic elements.

The Company’s shares have been listed on the mainboard of the Taipei Exchange (TPEX) since April 19, 2002. The parent company, Walsin Technology Corporation, held 43.13% of the common shares of the Company as of June 30, 2021 and 2020.

The consolidated financial statements of the Company and its subsidiaries (collectively known as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on August 6, 2021.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

#### Amendment to IFRS 16 “Covid-19 - Related Rent Concessions beyond June 30, 2021”

The Group elected to apply the amendment that extends the availability of the practical expedient to lease payments due on or before June 30, 2022. Refer to the Summary of Significant Accounting Policies in the consolidated financial statements for the year ended December 31, 2020 for the relevant accounting policies of the practical expedient.

The Group applies the amendment from January 1, 2021.

b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except that deferred taxes will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in

the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11, Tables 6 and 7 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The management of the Group considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

	June 30, 2021	December 31, 2020	June 30, 2020
Cash on hand	\$ 433	\$ 563	\$ 477
Checking accounts and demand deposits	596,239	491,765	599,787
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits	328,981	100,667	433,529
Repurchase agreements collateralized by bonds	<u>590,394</u>	<u>630,233</u>	<u>59,260</u>
	<u>\$ 1,516,047</u>	<u>\$ 1,223,228</u>	<u>\$ 1,093,053</u>

The market rate intervals of cash equivalents were as follows:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Time deposits with original maturities of 3 months or less	0.125%-2.35%	1.755%-2.3%	0.3%-1.9%
Repurchase agreements collateralized by bonds	0.2%-0.28%	0.22%-2.4%	0.8%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Financial assets mandatorily classified as at <u>FVTPL - current</u>			
Non-derivative financial assets			
Domestic listed shares	\$ 367,292	\$ 315,229	\$ 194,501
Mutual funds	-	-	123,287
Financial products	-	-	20,949
Government bonds	<u>43,154</u>	<u>-</u>	<u>-</u>
	<u>\$ 410,446</u>	<u>\$ 315,229</u>	<u>\$ 338,737</u>

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
<u>Current</u>			
Time deposits with original maturities of more than 3 months (a)	\$ 116,808	\$ 181,457	\$ 156,193
Restricted deposits (b)	<u>42,195</u>	<u>153,443</u>	<u>-</u>
	<u>\$ 159,003</u>	<u>\$ 334,900</u>	<u>\$ 156,193</u>

### Non-current

Time deposits with original maturities of more than 1 year (a)	<u>\$ 172,618</u>	<u>\$ 172,523</u>	<u>\$ 167,591</u>
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- a. The ranges of interest rates for time deposits with original maturities of more than 3 months and 1 year were as follows:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Time deposits with original maturities of more than 3 months	0.8%-2.25%	0.8%-2.25%	0.8%-2.25%
Time deposits with original maturities of more than 1 year	3.15%-4.125%	3.15%-4.125%	3.15%-4.125%

- b. These foreign currency deposits are repatriated and held in a special account in accordance with the regulations stipulated in “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act”.

## 9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Notes receivable from unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 28,358	\$ 60,225	\$ 26,519
Less: Allowance for impairment loss	-	-	-
	<u>\$ 28,358</u>	<u>\$ 60,225</u>	<u>\$ 26,519</u>
<u>Trade receivables from unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 1,070,755	\$ 853,003	\$ 774,042
Less: Allowance for impairment loss	(24,407)	(24,410)	(24,388)
	<u>\$ 1,046,348</u>	<u>\$ 828,593</u>	<u>\$ 749,654</u>

The average credit period of sales of goods is 0 to 120 days. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group’s exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group’s credit risk was significantly reduced.

The Group measures the loss allowance for notes receivable and trade receivables at an amount equal to lifetime ECLs. The expected credit losses on notes receivable and trade receivables are estimated by reference to the past default experience of the customers and the customers’ current financial positions. As the Group’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the Group determines the expected credit loss rate only by reference to the past due days of notes receivable and accounts receivable.

The Group writes off a note receivable or trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable and trade receivables based on past default experience with the customers and the customers' current financial positions.

June 30, 2021

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 180 Days Past Due	Over 180 Days Past Due	Total
Expected credit loss rate	1%-4%	5%	10%	20%	50%	100%	
Gross carrying amount	\$ 1,085,577	\$ 13,352	\$ -	\$ 152	\$ 32	\$ -	\$ 1,099,113
Loss allowance (Lifetime ECLs)	<u>(23,693)</u>	<u>(668)</u>	<u>-</u>	<u>(30)</u>	<u>(16)</u>	<u>-</u>	<u>(24,407)</u>
Amortized cost	<u>\$ 1,061,884</u>	<u>\$ 12,684</u>	<u>\$ -</u>	<u>\$ 122</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 1,074,706</u>

December 31, 2020

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 180 Days Past Due	Over 180 Days Past Due	Total
Expected credit loss rate	1%-4%	5%	10%	20%	50%	100%	
Gross carrying amount	\$ 893,002	\$ 9,143	\$ 10,445	\$ -	\$ 638	\$ -	\$ 913,228
Loss allowance (Lifetime ECLs)	<u>(22,589)</u>	<u>(457)</u>	<u>(1,045)</u>	<u>-</u>	<u>(319)</u>	<u>-</u>	<u>(24,410)</u>
Amortized cost	<u>\$ 870,413</u>	<u>\$ 8,686</u>	<u>\$ 9,400</u>	<u>\$ -</u>	<u>\$ 319</u>	<u>\$ -</u>	<u>\$ 888,818</u>

June 30, 2020

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 180 Days Past Due	Over 180 Days Past Due	Total
Expected credit loss rate	1%-4%	5%	10%	20%	50%	100%	-
Gross carrying amount	\$ 787,686	\$ 12,784	\$ 91	\$ -	\$ -	\$ -	\$ 800,561
Loss allowance (Lifetime ECLs)	<u>(23,740)</u>	<u>(639)</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,388)</u>
Amortized cost	<u>\$ 763,946</u>	<u>\$ 12,145</u>	<u>\$ 82</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 776,173</u>

The movements of the loss allowance of notes receivable and trade receivables were as follows:

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 24,410	\$ 24,431
Foreign exchange differences	<u>(3)</u>	<u>(43)</u>
Balance at June 30	<u>\$ 24,407</u>	<u>\$ 24,388</u>

**10. INVENTORIES**

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Finished goods	\$ 196,954	\$ 217,248	\$ 192,116
Semi-finished goods	60,965	72,693	59,454
Work in progress	168,032	136,823	150,209
Raw materials	324,636	209,123	211,634
Inventory in transit	<u>3,245</u>	<u>2,977</u>	<u>1,013</u>
	<u>\$ 753,832</u>	<u>\$ 638,864</u>	<u>\$ 614,426</u>



The nature of the cost of goods sold is as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Cost of inventories sold	\$ 1,202,890	\$ 956,624	\$ 2,317,115	\$ 1,755,530
Inventory (reversed) write-downs	<u>(17,062)</u>	<u>3,604</u>	<u>(18,093)</u>	<u>9,326</u>
	<u>\$ 1,185,828</u>	<u>\$ 960,228</u>	<u>\$ 2,299,022</u>	<u>\$ 1,764,856</u>

The reversal of inventory write-downs is due to the removal of the inventory that was previously recognized as inventory write-downs.

## 11. SUBSIDIARIES

### Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		
			June 30, 2021	December 31, 2020	June 30, 2020
Prosperity Dielectrics Co., Ltd.	PDC Prime Holdings Limited	Investment holding	100	100	100
Prosperity Dielectrics Co., Ltd.	Frontec International Corporation	Overseas investment	100	100	100
PDC Prime Holdings Limited	PDC Success Investments Ltd.	Investment holding	100	100	100
PDC Prime Holdings Limited	Frontier Components Co., Limited	International trade	100	100	100
PDC Prime Holdings Limited	Prosperity International Development (HK) Co., Limited	Investment holding	100	100	100
PDC Success Investments Ltd.	PDC Electronics (Suzhou) Co., Ltd.	Manufacturing of electronic components and ceramic materials	100	100	100
Frontec International Corporation	Hunan Frontier Electronics Co., Ltd.	Manufacturing and selling transformers, coils and magnetic elements	-	100	100
Frontec International Corporation	Prosperity Frontier Electronics (Shenzhen) Co., Ltd.	Manufacturing and selling chip components, power electronic devices and new electronic components	100 (Note 2)	70	70
Frontier Components Co., Limited	Dongguan Frontier Electronics Co., Ltd.	Selling transformer, coils and rectifier diode	100	100	100
Dongguan Frontier Electronics Co., Ltd.	Prosperity Frontier Electronics (Guangzhou) Co., Ltd.	Manufacturing and selling chip components, power electronic devices and new electronic components	100 (Note 3)	-	-

Note 1: In May 2021, Frontec International Corporation sold its share capital in Hunan Frontier Electronics Co., Ltd. to INPAQ Technology (Suzhou) Co., Ltd. This transaction was an organizational restructuring.

Note 2: In May 2021, Frontec International Corporation acquired 30% of the shares of Prosperity Frontier Electronics (Shenzhen) Co., Ltd. from the third party.

Note 3: Prosperity Frontier Electronics (Guangzhou) Co., Ltd. was established in May 2021.

The above-mentioned subsidiaries included in the consolidated financial statements have been reviewed for the six months ended June 30, 2021 and 2020 and have been audited for the year ended December 31, 2020.

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Non-current</u>			
Domestic investments - listed shares	\$ 1,371,840	\$ 1,109,357	\$ 820,957
Domestic investments - unlisted shares	168,814	118,910	68,194
Foreign investments - unlisted shares	<u>-</u>	<u>18,997</u>	<u>20,548</u>
	<u>\$ 1,540,654</u>	<u>\$ 1,247,264</u>	<u>\$ 909,699</u>

### Investments in Equity Instruments at FVTOCI

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Non-current</u>			
Domestic investments - listed shares			
Walton Advanced Engineering Inc.	\$ 596,821	\$ 440,434	\$ 313,730
Walsin Lihwa Corporation	205,100	135,100	101,850
HannStar Board Corporation	269,813	245,722	219,931
Singatron Enterprise Co., Ltd.	255,988	246,717	163,276
APAQ Technology Co., Ltd.	44,118	41,384	22,170
Domestic investments - unlisted shares			
Chin-Xin Investment Co., Ltd.	168,814	118,910	68,194
Foreign investments - unlisted shares			
Union Technology Corp.	<u>-</u>	<u>18,997</u>	<u>20,548</u>
	<u>\$ 1,540,654</u>	<u>\$ 1,247,264</u>	<u>\$ 909,699</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

## 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in Associates

	June 30, 2021	December 31, 2020	June 30, 2020
Chongqing Shuohong Investment Co., Ltd.	\$ 441,028	\$ 442,124	\$ 430,961
Chongqing Xincheng Electronics Co., Ltd.	44,287	25,641	25,431
GHPW Enterprise Corporation (HK) Limited	57,274	57,339	56,272
Walsin Color Corporation	111,926	112,170	86,714
INPAQ Technology Co., Ltd.	<u>-</u>	<u>-</u>	<u>2,538</u>
	<u>\$ 654,515</u>	<u>\$ 637,274</u>	<u>\$ 601,916</u>

Share of profit (loss) of associates for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020 was summarized as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Chongqing Shuohong Investment Co., Ltd.	\$ 2	\$ (2,151)	\$ (1,354)	\$ (4,152)
Chongqing Xincheng Electronics Co., Ltd.	485	(447)	18,801	(727)
GHPW Enterprise Corporation (HK) Limited	(169)	(131)	(328)	(274)
Walsin Color Corporation	1,274	(26)	2,337	(990)
INPAQ Technology Co., Ltd.	-	(481)	-	(460)
	<u>\$ 1,592</u>	<u>\$ (3,236)</u>	<u>\$ 19,456</u>	<u>\$ (6,603)</u>

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group was as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Chongqing Shuohong Investment Co., Ltd.	20.43%	20.43%	20.43%
Chongqing Xincheng Electronics Co., Ltd.	13.04%	13.04%	13.04%
GHPW Enterprise Corporation (HK) Limited	10%	10%	10%
Walsin Color Corporation	3.36%	3.36%	3.36%
INPAQ Technology Co., Ltd.	-	-	0.05%

Even though PDC holds less than 20% of the voting rights each in Chongqing Xincheng Electronics Co., Ltd., GHPW Enterprise Corporation (HK) Limited, Walsin Color Corporation and INPAQ Technology Co Ltd., its parent company, Walsin Technology Corporation, exercises significant influence over those companies; therefore, they are accounted for using the equity method.

In July 2020, the Group sold 0.05% of its interest in INPAQ Technology Co., Ltd. to a third party for proceeds of \$2,616 thousand. This transaction resulted in the recognition of a loss of \$58 thousand.

Refer to Table 6 “Information on Investments” and Table 7 “Information on Investments in Mainland China” for the nature of activities, principal places of business and countries of incorporation of the associates.

The share of profit or loss and other comprehensive income of the investments in associates accounted for using the equity method for the six months ended June 30, 2021 and 2020 was recognized based on the associates’ reviewed financial statements for the same periods.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Office Equipment	Other Equipment	Property under Construction and Prepayments for Equipment	Total
<b>Cost</b>							
Balance at January 1, 2020	\$ 302,220	\$ 1,005,711	\$ 2,185,254	\$ 37,612	\$ 192,849	\$ 56,293	\$ 3,779,939
Additions	-	114	4,238	-	927	282,386	287,665
Disposals	-	(77)	(229)	-	-	-	(306)
Effect of foreign currency exchange differences	-	(10,241)	(13,646)	(262)	(1,418)	(95)	(25,662)
Reclassifications	-	31,289	199,523	327	16,146	(247,404)	(119)
Balance at June 30, 2020	<u>\$ 302,220</u>	<u>\$ 1,026,796</u>	<u>\$ 2,375,140</u>	<u>\$ 37,677</u>	<u>\$ 208,504</u>	<u>\$ 91,180</u>	<u>\$ 4,041,517</u>
<b>Accumulated depreciation and impairment</b>							
Balance at January 1, 2020	\$ -	\$ 591,775	\$ 1,233,854	\$ 23,904	\$ 155,399	\$ -	\$ 2,004,932
Depreciation expenses	-	34,029	112,034	2,425	7,885	-	156,373
Disposals	-	(77)	(229)	-	-	-	(306)
Reversals of impairment losses	-	(3,005)	(30)	-	-	-	(3,035)
Effects of foreign currency exchange differences	-	(5,552)	(10,200)	(235)	(1,228)	-	(17,215)
Reclassifications	-	-	4	-	777	-	781
Balance at June 30, 2020	<u>\$ -</u>	<u>\$ 617,170</u>	<u>\$ 1,335,433</u>	<u>\$ 26,094</u>	<u>\$ 162,833</u>	<u>\$ -</u>	<u>\$ 2,141,530</u>
Carrying amount at June 30, 2020	<u>\$ 302,220</u>	<u>\$ 409,626</u>	<u>\$ 1,039,707</u>	<u>\$ 11,583</u>	<u>\$ 45,671</u>	<u>\$ 91,180</u>	<u>\$ 1,899,987</u>
<b>Cost</b>							
Balance at January 1, 2021	\$ 302,220	\$ 1,112,664	\$ 2,520,276	\$ 48,992	\$ 221,077	\$ 82,493	\$ 4,287,722
Additions	-	19	4,129	-	33	443,648	447,829
Disposals	-	(3,076)	(54,455)	-	(407)	(3,270)	(61,208)
Disposal of subsidiaries	-	(194,692)	(274,304)	(11,254)	(16,187)	(504)	(496,941)
Effect of foreign currency exchange differences	-	508	585	22	33	(24)	1,124
Reclassifications	-	34,356	262,431	2,326	11,763	(329,637)	(18,761)
Balance at June 30, 2021	<u>\$ 302,220</u>	<u>\$ 949,779</u>	<u>\$ 2,458,662</u>	<u>\$ 40,086</u>	<u>\$ 216,312</u>	<u>\$ 192,706</u>	<u>\$ 4,159,765</u>
<b>Accumulated depreciation and impairment</b>							
Balance at January 1, 2021	\$ -	\$ 657,748	\$ 1,432,022	\$ 28,848	\$ 168,753	\$ -	\$ 2,287,371
Depreciation expenses	-	41,011	127,207	3,179	8,174	-	179,571
Disposals	-	(3,076)	(53,187)	-	(407)	-	(56,670)
Disposal of subsidiaries	-	(66,899)	(238,162)	(8,412)	(11,803)	-	(325,276)
Reversals of impairment losses	-	(2,697)	(517)	-	-	-	(3,214)
Effects of foreign currency exchange differences	-	166	465	14	33	-	678
Reclassifications	-	5,702	309	-	952	-	6,963
Balance at June 30, 2021	<u>\$ -</u>	<u>\$ 631,955</u>	<u>\$ 1,268,137</u>	<u>\$ 23,629</u>	<u>\$ 165,702</u>	<u>\$ -</u>	<u>\$ 2,089,423</u>
Carrying amount at June 30, 2021	<u>\$ 302,220</u>	<u>\$ 317,824</u>	<u>\$ 1,190,525</u>	<u>\$ 16,457</u>	<u>\$ 50,610</u>	<u>\$ 192,706</u>	<u>\$ 2,070,342</u>

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

<b>Buildings</b>	
Main buildings	15-41 years
Electrical mechanical and power equipment	2-21 years
Engineering system	2-25 years
Others	2-35 years
<b>Machinery and equipment</b>	2-12 years
<b>Office equipment</b>	3-5 years
<b>Other equipment</b>	2-10 years

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	June 30, 2021	December 31, 2020	June 30, 2020	
<u>Carrying amount</u>				
Land	\$ 164,975	\$ 176,865	\$ 188,950	
Buildings	13,063	11,855	16,308	
Transportation equipment	<u>1,301</u>	<u>1,014</u>	<u>523</u>	
	<u>\$ 179,339</u>	<u>\$ 189,734</u>	<u>\$ 205,781</u>	
	<u>For the Three Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>	
	2021	2020	2021	2020
Additions of right-of-use assets	<u>\$ 6,734</u>	<u>\$ -</u>	<u>\$ 6,734</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets				
Land	\$ 4,979	\$ 5,052	\$ 9,968	\$ 10,107
Buildings	2,496	2,289	4,819	4,600
Transportation equipment	<u>139</u>	<u>113</u>	<u>242</u>	<u>225</u>
	<u>\$ 7,614</u>	<u>\$ 7,454</u>	<u>\$ 15,029</u>	<u>\$ 14,932</u>

Except for the recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets for the six months ended June 30, 2021 and 2020.

### b. Lease liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Carrying amount</u>			
Current	<u>\$ 27,724</u>	<u>\$ 28,548</u>	<u>\$ 28,490</u>
Non-current	<u>\$ 153,861</u>	<u>\$ 160,504</u>	<u>\$ 176,821</u>

The discount rates of lease liabilities were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Land	1%	1%	1%
Buildings	1%	1%	1%
Transportation equipment	1%	1%	1%

## 16. BORROWINGS

### a. Short-term borrowings

	June 30, 2021	December 31, 2020	June 30, 2020
Unsecured borrowings			
Line of credit borrowings	\$ <u>          -</u>	\$ <u>20,000</u>	\$ <u>50,000</u>
Interest rate	-	0.9%	0.83%

### b. Long-term borrowings

	June 30, 2021	December 31, 2020	June 30, 2020
E.SUN Commercial Bank			
Line of credit borrowings: The loan limit is NT\$600,000 thousand. Repayment of the principal will be made in 24 equal monthly payments starting 2 years before the maturity date.			
Loan period			
2019.12.26-2024.12.15	\$ 197,491	\$ 197,005	\$ 196,520
2020.04.09-2024.12.15	98,746	98,502	98,260
2020.07.09-2025.06.15	78,802	78,608	-
2020.08.07-2025.06.15	98,502	98,260	-
Taishin International Bank			
Line of credit borrowings: The loan limit is NT\$600,000 thousand. Repayment of the principal will be made in 24 equal monthly payments starting 2 years before the maturity date.			
Loan period			
2019.12.10-2024.12.10	98,789	98,546	98,305
2020.04.29-2024.12.10	98,789	98,546	98,305
First Commercial Bank			
Line of credit borrowings: The loan limit is NT\$900,000 thousand. Repayment of the principal will be made in 24 equal monthly payments starting 36 months after the first disbursement date.			
Loan period			
2020.03.02-2025.03.02	93,732	93,502	93,272
Less: Current portion	<u>          -</u>	<u>          -</u>	<u>          -</u>
Long-term borrowings	<u>\$ 764,851</u>	<u>\$ 762,969</u>	<u>\$ 584,662</u>
Interest rate	0.45%-0.6%	0.45%-0.6%	0.45%-0.6%

## 17. OTHER LIABILITIES

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Current</u>			
Payables expense	\$ 391,654	\$ 405,559	\$ 378,111
Payables for purchases of equipment	276,921	217,603	178,929
Payables for annual leave	9,684	9,555	10,134
Payables for remuneration of directors and supervisors and employee bonuses	<u>22,550</u>	<u>34,681</u>	<u>13,857</u>
	<u>\$ 700,809</u>	<u>\$ 667,398</u>	<u>\$ 581,031</u>
<u>Non-current</u>			
Deferred revenue			
Arising from government grants	<u>\$ 10,149</u>	<u>\$ 12,031</u>	<u>\$ 10,338</u>

## 18. PROVISIONS

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Current</u>			
Employee benefits (presented in other payables)	<u>\$ 9,684</u>	<u>\$ 9,555</u>	<u>\$ 10,134</u>

The provision for employee benefits represents the accrual of employees' vested service leave entitlement.

## 19. EQUITY

### a. Share capital

#### Common shares

	June 30, 2021	December 31, 2020	June 30, 2020
Authorized shares (in thousands of shares)	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>
Authorized capital	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>
Issued and paid shares (in thousands of shares)	<u>172,000</u>	<u>172,000</u>	<u>172,000</u>
Issued capital	<u>\$ 1,720,000</u>	<u>\$ 1,720,000</u>	<u>\$ 1,720,000</u>

Shares issued with par value of \$10 carry one vote per share and the right to dividends.

b. Capital surplus

	June 30, 2021	December 31, 2020	June 30, 2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*			
Issuance of common shares	\$ 402,192	\$ 402,192	\$ 402,192
Conversion of bonds	55,484	55,484	55,484
Treasury share transactions	28,889	28,889	28,889
Difference between consideration and carrying amount of subsidiaries acquired	1,456	-	-
<u>May only be used to offset a deficit</u>			
Share of changes in capital surplus of associates accounted for using the equity method	<u>10,501</u>	<u>10,501</u>	<u>10,501</u>
	<u>\$ 498,522</u>	<u>\$ 497,066</u>	<u>\$ 497,066</u>

\* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in PDC's articles of incorporation (the "Articles"), where PDC made a profit in a fiscal year, the profit shall be first used to offset losses of previous years, setting aside as legal reserve 10% of the remaining profit until the legal reserve equals PDC's paid-in capital. After setting aside or reversing a special reserve in accordance with the law and regulations, additional appropriations may be made to the special reserve depending on business needs. Any remaining profit together with any undistributed retained earnings shall be used by PDC's board of directors as the basis of proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of the compensation of employees and remuneration of directors and supervisors, refer to compensation of employees and remuneration of directors and supervisors in Note 20-b.

In addition to the distribution of dividends in accordance with the Articles, cash dividends are limited to 50% of the total dividends distributed. The remaining retained earnings shall be distributed in the form of share dividends. However, should the Company obtain sufficient funds to meet its capital requirements during the current year, the cash distribution ratio can be raised to 100%. The Company should decide on the most appropriate dividend distribution policy and the form of payment based on the current year's actual operating condition, taking into consideration the following year's capital budget plans.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.



The appropriations of earnings for the years ended December 31, 2020 and 2019 which were approved in the shareholders' meetings on July 6, 2021 and June 17, 2020, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 79,086	\$ 77,159
Cash dividends	344,000	309,600
Cash dividends per share (NT\$)	2	1.8

d. Special reserve

The movements of special reserve were as follows:

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 69,489	\$ 69,489
Reversals		
Disposal of subsidiaries	<u>(1,725)</u>	<u>-</u>
Balance at June 30	<u>\$ 67,764</u>	<u>\$ 69,489</u>

On the first-time adoption of IFRSs, a proportionate share of special reserve relating to exchange differences on translation of the financial statements of foreign operations (including the subsidiaries of the Company) will be reversed on the Group's disposal of foreign operations; on the Group's loss of significant influence, however, the entire special reserve will be reversed. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses; the reversed amount may be distributed.

e. Other equity items

The movements of other equity items were as follows:

	<b>For the Six Months Ended June 30, 2021</b>		
	<b>Exchange Differences on the Translation of the Financial Statements of Foreign Operations</b>	<b>Unrealized Valuation Gain/(Loss) on Financial Assets at FVTOCI</b>	<b>Total</b>
Balance at January 1	\$ (185,087)	\$ 577,039	\$ 391,952
Exchange differences on the translation of the net assets of foreign operations	(2,497)	-	(2,497)
Unrealized gain on investments in equity instruments at FVTOCI	-	336,147	336,147
Share from associates accounted for using the equity method	(241)	(1,600)	(1,841)
			(Continued)

	<b>For the Six Months Ended June 30, 2021</b>		
	<b>Exchange Differences on the Translation of the Financial Statements of Foreign Operations</b>	<b>Unrealized Valuation Gain/(Loss) on Financial Assets at FVTOCI</b>	<b>Total</b>
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	\$ -	\$ (19,479)	\$ (19,479)
Disposal of foreign operations	<u>64,376</u>	<u>-</u>	<u>64,376</u>
Balance at June 30	<u>\$ (123,449)</u>	<u>\$ 892,107</u>	<u>\$ 768,658</u> (Concluded)

	<b>For the Six Months Ended June 30, 2020</b>		
	<b>Exchange Differences on the Translation of the Financial Statements of Foreign Operations</b>	<b>Unrealized Valuation Gain/(Loss) on Financial Assets at FVTOCI</b>	<b>Total</b>
Balance at January 1	\$ (170,337)	\$ 301,321	\$ 130,984
Exchange differences on the translation of the net assets of foreign operations	(53,663)	-	(53,663)
Unrealized gain on investments in equity instruments at FVTOCI	-	(68,410)	(68,410)
Share from associates accounted for using the equity method	(260)	(13,608)	(13,868)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(1,899)</u>	<u>(1,899)</u>
Balance at June 30	<u>\$ (224,260)</u>	<u>\$ 217,404</u>	<u>\$ (6,856)</u>

f. Treasury shares

1) Movements of the treasury shares for the six months ended June 30, 2021 were as follows:

**Unit: In Thousands of Shares**

	<b>For the Six Months Ended June 30, 2021</b>			
<b>Purpose of Buy-back</b>	<b>Number of Shares at January 1, 2021</b>	<b>Increase During the Period</b>	<b>Decrease During the Period</b>	<b>Number of Shares at June 30, 2021</b>
Shares transferred to employees	<u>-</u>	<u>800</u>	<u>-</u>	<u>800</u>

- 2) The buy-back shares shall be transferred to employees at one time or in installments within 5 years from the date of purchase. All employees of the Company and employees of the Company's subsidiaries in which the Company directly or indirectly holds more than 50% of the voting shares on the subscription date are eligible to subscribe.
- 3) The Securities and Exchange Act stipulates that the proportion of the number of shares that a company can buy back must not exceed 10% of the company's total issued shares. The total amount of shares purchased must not exceed retained earnings plus the amount of issued share premium and realized capital surplus. For the six months ended June 30, 2021, the Company held a maximum of 800 thousand shares as treasury shares, and the total amount of shares purchased was \$54,371 thousand, which complies with the provisions of the Securities and Exchange Act.
- 4) Treasury shares held by PDC shall not be pledged in accordance with the provisions of the Securities and Exchange Act, and shall not enjoy shareholder rights.

## 20. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

- a. The employee benefits expense, depreciation and amortization incurred in the current period are summarized according to their functions as follows:

	For the Three Months Ended June 30					
	2021			2020		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Short-term employee benefits						
Salaries and wages	\$ 127,402	\$ 52,974	\$ 180,376	\$ 119,757	\$ 51,229	\$ 170,986
Labor/health insurance	10,697	2,896	13,593	8,072	2,490	10,562
Pension	3,547	1,070	4,617	2,993	1,111	4,104
Other employee benefits	6,937	1,372	8,309	7,489	1,504	8,993
Depreciation	89,568	7,220	96,788	80,571	6,584	87,155
Amortization	800	270	1,070	780	316	1,096

	For the Six Months Ended June 30					
	2021			2020		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Short-term employee benefits						
Salaries and wages	\$ 247,500	\$ 90,007	\$ 337,507	\$ 212,521	\$ 79,673	\$ 292,194
Labor/health insurance	24,088	6,370	30,458	18,451	5,523	23,974
Pension	6,928	2,162	9,090	6,361	2,202	8,563
Other employee benefits	14,683	2,967	17,650	14,248	3,137	17,385
Depreciation	179,816	14,784	194,600	158,343	12,962	171,305
Amortization	1,603	540	2,143	1,548	831	2,379

The number of employees of the Group as of June 30, 2021 and 2020 was 901 and 1,203, respectively.

b. Compensation of employees and remuneration of directors and supervisors

According to the Company's Articles, PDC accrues compensation of employees and remuneration of directors and supervisors at rates of 2%-10% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The estimated compensation of employees and remuneration of directors and supervisors for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020 are as follows:

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<u>Accrual rate</u>				
Compensation of employees	2.6%	2.5%	2.6%	2.5%
Remuneration of directors and supervisors	1%	1%	1%	1%
	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<u>Amount</u>				
Compensation of employees	\$ 7,826	\$ 6,933	\$ 16,107	\$ 9,895
Remuneration of directors and supervisors	\$ 3,131	\$ 2,779	\$ 6,443	\$ 3,962

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The compensation of employees and remuneration of directors and supervisors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors and paid on February 25, 2021 and February 26, 2020, respectively, are as follows. The differences were adjusted to profit and loss for the years ended December 31, 2021 and 2020.

	<b>For the Year Ended December 31</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Cash</b>	<b>Shares</b>	<b>Cash</b>	<b>Shares</b>
Compensation of employees				
Amounts approved in the board of directors' meeting	\$ 24,772	\$ -	\$ 24,396	\$ -
Actual amounts paid	24,743	-	24,376	-
Remuneration of directors and supervisors				
Amounts approved in the board of directors' meeting	9,909	-	9,759	-
Actual amounts paid	9,909	-	9,759	-

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 21. INCOME TAXES

### a. Income tax expense recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Current tax				
In respect of the current year	\$ 76,239	\$ 84,501	\$ 141,555	\$ 112,345
Adjustment for the prior year	<u>-</u>	<u>(17,152)</u>	<u>-</u>	<u>(17,152)</u>
Income tax expense recognized in profit or loss	<u>\$ 76,239</u>	<u>\$ 67,349</u>	<u>\$ 141,555</u>	<u>\$ 95,193</u>

In July 2019, the president of the ROC announced “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act”, which allowed the decrease in tax rate from 20% to 8%-10% for enterprises that applied and repatriated funds from August 15, 2019 to August 14, 2021. The repatriated funds shall be deposited in restricted foreign currency deposit accounts, and the tax will be deducted from the receiving bank once the funds are deposited.

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

### b. PDC’s income tax returns through 2018 have been assessed by the tax authorities.

## 22. EARNINGS PER SHARE

Earnings per share for the six months ended June 30, 2021 and 2020 are as follows:

	For the Six Months Ended June 30, 2021		
	Amount (In Thousands) After Income Tax	Number of Shares	Earnings Per Share (In Dollars) After Income Tax
Basic earnings per share			
Amount after income tax attributable to owners of the Company	\$ 488,099	171,600,000	<u>\$ 2.84</u>
Effect of potentially dilutive common shares - employee share options	<u>-</u>	<u>355,946</u>	
Diluted earnings per share			
Amount after income tax attributable to owners of the Company and effect of potentially dilutive common shares	<u>\$ 488,099</u>	<u>171,955,946</u>	<u>\$ 2.84</u>

<b>For the Three Months Ended June 30, 2021</b>			
	<b>Amount (In Thousands)</b>		<b>Earnings Per Share (In Dollars)</b>
	<b>After Income Tax</b>	<b>Number of Shares</b>	<b>After Income Tax</b>
Basic earnings per share			
Amount after income tax attributable to owners of the Company	\$ 217,278	171,200,000	<u>\$ 1.27</u>
Effect of potentially dilutive common shares - employee share options	<u>-</u>	<u>233,433</u>	
Diluted earnings per share			
Amount after income tax attributable to owners of the Company and effect of potentially dilutive common shares	<u>\$ 217,278</u>	<u>171,433,433</u>	<u>\$ 1.27</u>
<b>For the Six Months Ended June 30, 2020</b>			
	<b>Amount (In Thousands)</b>		<b>Earnings Per Share (In Dollars)</b>
	<b>After Income Tax</b>	<b>Number of Shares</b>	<b>After Income Tax</b>
Basic earnings per share			
Amount after income tax attributable to owners of the Company	\$ 305,557	172,000,000	<u>\$ 1.78</u>
Effect of potentially dilutive common shares - employee share options	<u>-</u>	<u>305,841</u>	
Diluted earnings per share			
Amount after income tax attributable to owners of the Company and effect of potentially dilutive common shares	<u>\$ 305,557</u>	<u>172,305,841</u>	<u>\$ 1.77</u>
<b>For the Three Months Ended June 30, 2020</b>			
	<b>Amount (In Thousands)</b>		<b>Earnings Per Share (In Dollars)</b>
	<b>After Income Tax</b>	<b>Number of Shares</b>	<b>After Income Tax</b>
Basic earnings per share			
Amount after income tax attributable to owners of the Company	\$ 212,547	172,000,000	<u>\$ 1.24</u>
Effect of potentially dilutive common shares - employee share options	<u>-</u>	<u>183,920</u>	
Diluted earnings per share			
Amount after income tax attributable to owners of the Company and effect of potentially dilutive common shares	<u>\$ 212,547</u>	<u>172,183,920</u>	<u>\$ 1.23</u>

Since the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

### 23. DISPOSAL OF SUBSIDIARIES

In order to focus on its core technologies and strengthen its competitiveness, the Company's board of directors approved to sell 100% of its share capital in Hunan Frontier Electronics Co., Ltd. to INPAQ Technology (Suzhou) Co., Ltd. at the price of RMB94,800 thousand on January 27, 2021. The transaction price was based on the latest audited financial statements and appraisal report, and the independent expert has issued reasonableness opinion of the price. Registration transfer and payment of shares have been completed in April and May 2021. The transaction was an organizational restructuring and did not affect the profit or loss, and the Group chose not to recompile the consolidated financial statements for the prior period.

a. Consideration received from disposals

	<b>Hunan Frontier Electronics Co., Ltd.</b>
Consideration received in cash and cash equivalents	<u>\$ 409,726</u>

b. Analysis of assets and liabilities on the date control was lost

	<b>Hunan Frontier Electronics Co., Ltd.</b>
Current assets	
Cash and cash equivalents	\$ 52,881
Financial assets at amortized cost - current	64,830
Trade receivables	101,082
Other receivables	1,032
Inventories	52,236
Other current assets	4,416
Non-current assets	
Property, plant and equipment	171,665
Right-of-use assets	1,932
Refundable deposits	1
Current liabilities	
Trade payables	(46,424)
Other payables	(40,253)
Current tax liabilities	(1,866)
Other current liabilities	(2,749)
Non-current liabilities	
Guarantee deposits received	<u>(177)</u>
Net assets disposed of	<u>\$ 358,606</u>

c. Loss on disposal of subsidiary

	<b>Hunan Frontier Electronics Co., Ltd.</b>
Consideration received	\$ 409,726
Net assets disposed of	(358,606)
Accumulated exchange differences from the reclassification of the subsidiaries' net assets from equity to profit or loss due to loss of control of subsidiaries	<u>(64,376)</u>
Retained earnings	<u>\$ (13,256)</u>

The loss of \$13,256 thousand from disposal of Hunan Frontier Electronics Co., Ltd. was recognized in May 2021. The transaction was an organizational restructuring; therefore, it did not affect the profit or loss and was presented as deduction of the retained earnings.

d. Net cash inflow on disposals of subsidiary

	<b>Hunan Frontier Electronics Co., Ltd.</b>
Consideration received in cash and cash equivalents	\$ 409,726
Less: Cash and cash equivalent balance disposed of	<u>(52,881)</u>
	<u>\$ 356,845</u>

## 24. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On May 21, 2021, the Group subscribed for 30% of the equity of Prosperity Frontier Electronics (Shenzhen) Co., Ltd., and increased its continuing interest from 70% to 100%.

The above transactions was accounted for as equity transaction, since the Group did not cease to have control over this subsidiary.

	<b>Prosperity Frontier Electronics (Shenzhen) Co., Ltd.</b>
Consideration paid	\$ (40,297)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>41,753</u>
Difference recognized from equity transactions	<u>\$ 1,456</u>



Line items adjusted for equity transactions

Capital surplus - difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition \$ 1,456

**25. CAPITAL MANAGEMENT**

The Group manages its capital to ensure that entities in the Group have the essential financial resources and operating plans to meet the needs of working capital, capital expenditures, research and development expenses, debt repayment and dividend expenditures in the next 12 months.

**26. FINANCIAL INSTRUMENTS**

a. Fair value of financial instruments

1) Fair value of financial instruments that are not measured at fair value

The management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as approximate fair values. There were no major differences between the carrying amounts and fair values as of June 30, 2021, December 31, 2020 and June 30, 2020.

2) Fair value of financial instruments that are measured at fair value on a recurring basis

June 30, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	<u>\$ 367,292</u>	<u>\$ 43,154</u>	<u>\$ -</u>	<u>\$ 410,446</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 1,371,840	\$ -	\$ -	\$ 1,371,840
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>168,814</u>	<u>168,814</u>
	<u>\$ 1,371,840</u>	<u>\$ -</u>	<u>\$ 168,814</u>	<u>\$ 1,540,654</u>

December 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Domestic listed shares	<u>\$ 315,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,229</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 1,109,357	\$ -	\$ -	\$ 1,109,357
Domestic unlisted shares	-	-	118,910	118,910
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>18,997</u>	<u>18,997</u>
	<u>\$ 1,109,357</u>	<u>\$ -</u>	<u>\$ 137,907</u>	<u>\$ 1,247,264</u>

June 30, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Domestic listed shares	\$ 194,501	\$ -	\$ -	\$ 194,501
Mutual funds	123,287	-	-	123,287
Financial products	<u>20,949</u>	<u>-</u>	<u>-</u>	<u>20,949</u>
	<u>\$ 338,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 338,737</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 820,957	\$ -	\$ -	\$ 820,957
Domestic unlisted shares	-	-	68,194	68,194
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>20,548</u>	<u>20,548</u>
	<u>\$ 820,957</u>	<u>\$ -</u>	<u>\$ 88,742</u>	<u>\$ 909,699</u>

There were no transfers between Levels 1 and 2 for the six months ended June 30, 2021 and 2020.

b. Categories of financial instruments

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 410,446	\$ 315,229	\$ 338,737
Financial assets at amortized cost (1)	3,287,867	2,847,993	2,407,651
Financial assets at FVTOCI			
Equity instruments	1,540,654	1,247,264	909,699
<u>Financial liabilities</u>			
Amortized cost (2)	2,446,105	2,256,885	2,243,402

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables and refundable deposits.

- 2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, trade payables, payables for dividends, other payables, long-term borrowings and guarantee deposits.

c. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, borrowings, trade receivables and trade payables. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Group utilizes derivatives based on the procedures for the handling of derivative financial instrument transactions, which had been approved by the board of directors, to hedge against foreign currency risk. The internal auditor reviews compliance with policies and risk limits on an ongoing basis.

1) Market risk

The Group is exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Group's exposure to market risk in financial instruments and its management and measurement of such exposure has not changed since the last period.

a) Foreign currency risk

The Group manages the risk of exchange rate fluctuations arising from foreign currency transactions by using forward exchange contracts to the extent permitted by the regulations governing the procedures for the handling of derivative financial instrument transactions.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the period are set out in Note 30.

	<b>USD Impact</b>		<b>RMB Impact</b>	
	<b>For the Six Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Profit or loss	\$ 23,698	\$ 33,328	\$ 27,525	\$ 21,686
Equity	1,718	1,688	14,559	13,692

The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusted their translation at the end of the period for a 3% change in foreign currency rates. A negative number indicates a decrease in post-tax profit and equity associated with the New Taiwan dollar strengthening 3% against the relevant currency. For a 3% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and equity.

b) Interest rate risk

The Group was exposed to interest rate risk arising from both fixed and floating interest rate deposits, and repurchase agreements collateralized by bonds and borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the period were as follows:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Cash flow interest rate risk			
Financial assets	\$ 1,208,801	\$ 1,084,880	\$ 816,573
Financial liabilities	764,851	782,969	634,662

The Group's sensitivity analysis of interest rate risk mainly focuses on changes in the fair value of the financial assets and liabilities at fixed interest rate at the end of the reporting period. If interest rates were lower by 1% and all other variables were held constant, the Group's variable-rate financial assets for the six months ended June 30, 2021 and 2020 would have resulted in cash outflows by \$4,440 thousand and \$1,819 thousand, respectively.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Group.

The management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate allowance is made for irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

## 3) Liquidity risk

The Group's working capital is sufficient to meet its obligations; therefore, there is no liquidity risk arising from the inability to raise funds to meet its contractual obligations.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods:

### June 30, 2021

	<b>Less than 1 Year</b>	<b>2-3 Years</b>	<b>3+ Years</b>	<b>Total</b>
Non-interest bearing	\$ 1,681,254	\$ -	\$ -	\$ 1,681,254
Variable interest rate liabilities	-	526,981	237,870	764,851
Lease liabilities	<u>27,724</u>	<u>43,305</u>	<u>110,556</u>	<u>181,585</u>
	<u>\$ 1,708,978</u>	<u>\$ 570,286</u>	<u>\$ 348,426</u>	<u>\$ 2,627,690</u>

December 31, 2020

	<b>Less than 1 Year</b>	<b>2-3 Years</b>	<b>3+ Years</b>	<b>Total</b>
Non-interest bearing Variable interest rate liabilities	\$ 1,473,916	\$ -	\$ -	\$ 1,473,916
Lease liabilities	20,000	332,223	430,746	782,969
	<u>28,548</u>	<u>42,246</u>	<u>118,258</u>	<u>189,052</u>
	<u>\$ 1,522,464</u>	<u>\$ 374,469</u>	<u>\$ 549,004</u>	<u>\$ 2,445,937</u>

June 30, 2020

	<b>Less than 1 Year</b>	<b>2-3 Years</b>	<b>3+ Years</b>	<b>Total</b>
Non-interest bearing Variable interest rate liabilities	\$ 1,608,740	\$ -	\$ -	\$ 1,608,740
Lease liabilities	50,000	-	584,662	634,662
	<u>28,490</u>	<u>46,617</u>	<u>130,204</u>	<u>205,311</u>
	<u>\$ 1,687,230</u>	<u>\$ 46,617</u>	<u>\$ 714,866</u>	<u>\$ 2,448,713</u>

## 27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation, refer to Table 5. Details of transactions between the Group and other related parties are disclosed as follows.

<u>Related Party Name</u>	<u>Related Party Category</u>
Walsin Technology Corporation	Parent company
Dongguan Walsin Technology Electronics Co., Ltd.	Sister company
Dongguan Huafai Trading Co., Ltd.	Sister company
Pan Overseas (Guangzhou) Electronic Co., Ltd.	Sister company
Walsin Technology Corporation (HK) Limited	Sister company
Kamaya Electric (M) Sdn. Bhd.	Sister company
INPAQ Technology Co., Ltd.	Sister company (associate before July 2020)
INPAQ Technology (Suzhou) Co., Ltd.	Sister company (associate before July 2020)
Taiwan INPAQ Electronics Co., Ltd.	Sister company (associate before July 2020)
INPAQ Technology (China) Co., Ltd.	Sister company (associate before July 2020)
Hunan Frontier Electronics Co., Ltd.	Sister company (subsidiary before April 2021)
Walsin Lihwa Corporation	Other related party
Falcon Automation Equipment Corporation	Other related party
Info-Tek Corp.	Other related party
VVG Inc.	Other related party
Global Brands Manufacture Ltd.	Other related party
Winbond Electronics Corp.	Other related party
PSA Charitable Foundation	Other related party
PSA VVG Culture and Arts Foundation	Other related party
Walsin Color Corporation	Associate

Transactions

Transactions between the Group and other related parties for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020 are disclosed as follows.

Related Party Category/Name	Sales of Goods			
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
Parent company	\$ 261,408	\$ 155,545	\$ 434,482	\$ 286,195
Sister companies	149,152	114,891	284,862	224,461
Associates	-	41,621	-	71,078
Other related parties	<u>202</u>	<u>164</u>	<u>434</u>	<u>241</u>
	<u>\$ 410,762</u>	<u>\$ 312,221</u>	<u>\$ 719,778</u>	<u>\$ 581,975</u>

Related Party Category/Name	Purchases of Goods			
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
Parent company	\$ 147,903	\$ 173,008	\$ 328,776	\$ 286,636
Sister companies				
Dongguan Walsin Technology Electronics Co., Ltd.	241,767	139,334	435,530	218,889
Others	<u>59,984</u>	<u>386</u>	<u>63,504</u>	<u>1,091</u>
	301,751	139,720	499,034	219,980
Associates	<u>-</u>	<u>2,972</u>	<u>-</u>	<u>5,111</u>
	<u>\$ 449,654</u>	<u>\$ 315,700</u>	<u>\$ 827,810</u>	<u>\$ 511,727</u>

The selling prices between the Group and related parties were not significantly different from that of general transactions. The collection terms of general transactions are within 0 to 120 days. The collection terms of related parties were not significantly different from that of general customers. Among them, trade receivable (payable) of Walsin Technology Corporation are directly offset by its respective counterparty's trade receivable (payable), and the remaining receivables are collected (paid) under the usual collection (payment) terms.

The prices of the purchase transactions between the Group and related parties were not significantly different from that of general transactions, and the payment terms of general transactions are within 30 to 120 days. The payment terms of related parties were not significantly different from that of general suppliers.

Related Party Category/Name	Acquisition of Assets			
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2021	2020	2021	2020
Falcon Automation Equipment Corporation	\$ 45,013	\$ 18,320	\$ 81,972	\$ 19,450
Others	<u>-</u>	<u>295</u>	<u>-</u>	<u>295</u>
	<u>\$ 45,013</u>	<u>\$ 18,615</u>	<u>\$ 81,972</u>	<u>\$ 19,745</u>

Related Party Category/Name	Disposal of Assets			
	For the Three Months Ended June 30, 2021		For the Six Months Ended June 30, 2021	
	Proceeds	Gain (Loss) on Disposal	Proceeds	Gain (Loss) on Disposal
Sister companies	\$ 7,606	\$ 3,262	\$ 7,606	\$ 3,262

Lease arrangement as lessee

Item	Related Party Category	June 30, 2021	December 31, 2020	June 30, 2020
Lease liabilities	Parent company	\$ 5,641	\$ 8,019	\$ 10,837
	Sister companies	5,724	-	-
		\$ 11,365	\$ 8,019	\$ 10,837

Item	Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2021	2020	2021	2020
Interest expense	Parent company	\$ 16	\$ 28	\$ 34	\$ 60
	Sister companies	5	-	5	-
		\$ 21	\$ 28	\$ 39	\$ 60
Rental expense	Parent company	\$ 14	\$ -	\$ 27	\$ -
	Sister companies	52	-	104	-
		\$ 66	\$ -	\$ 131	\$ -

Lease agreement as lessor

Lease income was summarized as follows:

Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
Parent company	\$ 632	\$ 717	\$ 1,350	\$ 1,435
Sister companies	42	-	84	-
Associates	11	53	23	107
Other related parties	621	416	1,241	1,023
	\$ 1,306	\$ 1,186	\$ 2,698	\$ 2,565

At the end of the period, the remaining balances were as follows:

Related Party Category/Name	Trade Receivables			Trade Payables		
	June 30, 2021	December 31, 2020	June 30, 2020	June 30, 2021	December 31, 2020	June 30, 2020
Parent company	\$ 118,761	\$ -	\$ -	\$ -	\$ 53,233	\$ 28,958
Sister companies						
Dongguan Walsin Technology Electronics Co., Ltd.	108,098	97,496	106,681	366,116	274,264	195,748
Others	<u>76,358</u>	<u>60,458</u>	<u>13,488</u>	<u>88,940</u>	<u>10,507</u>	<u>635</u>
	184,456	157,954	120,169	455,056	284,771	196,383
Associates	-	-	54,394	-	-	3,721
Other related parties	<u>234</u>	<u>3</u>	<u>231</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 303,451</u>	<u>\$ 157,957</u>	<u>\$ 174,794</u>	<u>\$ 455,056</u>	<u>\$ 338,004</u>	<u>\$ 229,062</u>

  

Related Party Category/Name	Other Receivables			Other Payables		
	June 30, 2021	December 31, 2020	June 30, 2020	June 30, 2021	December 31, 2020	June 30, 2020
Parent company	\$ -	\$ -	\$ -	\$ 2,708	\$ 25,289	\$ 31,874
Sister companies	11,422	1	-	619	276	268
Associates	752	12	865	-	-	-
Other related parties	<u>590</u>	<u>659</u>	<u>3,971</u>	<u>35,043</u>	<u>1,164</u>	<u>3,224</u>
	<u>\$ 12,764</u>	<u>\$ 672</u>	<u>\$ 4,836</u>	<u>\$ 38,370</u>	<u>\$ 26,729</u>	<u>\$ 35,366</u>

Other receivables are the uncollected amounts from the Group's lease income, selling of raw materials, equipment and spare parts and the collections and payments on behalf of others.

Other payables are the payments that have not been made for the acquisition of equipment and the collections and payments on behalf of others.

The remaining trade payables - related parties were not guaranteed and would be paid off by cash; trade receivables - related parties were also not guaranteed. There was no bad debt expense for trade receivables - related parties as of June 30, 2021, December 31, 2020 and June 30, 2020.

### Equity transactions

Refer to Note 23.

### Remuneration of key management personnel

Remuneration of the board directors and other key management personnel for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020 were as follows:

	For the Three Months Ended		For the Six Months Ended	
	2021	2020	2021	2020
Short-term employee benefits	\$ 2,381	\$ 2,278	\$ 20,666	\$ 14,476
Post-employment benefits	<u>27</u>	<u>17</u>	<u>54</u>	<u>33</u>
	<u>\$ 2,408</u>	<u>\$ 2,295</u>	<u>\$ 20,720</u>	<u>\$ 14,509</u>



## 28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at the end of the reporting period were as follows:

### a. Significant unrecognized commitments

Unrecognized commitments were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Acquisition of property, plant and equipment	<u>\$ 206,470</u>	<u>\$ 253,370</u>	<u>\$ 207,490</u>

### b. Contingencies

As of June 30, 2021, outstanding letters of credit of the Group were summarized as follows:

	Unit: Dollars		
Currency	Carrying Value	Deposits Paid	
USD	USD 262,300	USD	-

As of December 31, 2020, outstanding letters of credit of the Group were summarized as follows:

	Unit: Dollars		
Currency	Carrying Value	Deposits Paid	
JPY	JPY 116,840,000	JPY	-

As of June 30, 2020, outstanding letters of credit of the Group were summarized as follows:

	Unit: Dollars		
Currency	Carrying Value	Deposits Paid	
JPY	JPY 97,850,000	JPY	-
EUR	EUR 260,000	EUR	-

## 29. OTHER ITEMS

Despite the impact of the Covid-19 pandemic which has evolved globally and currently in Taiwan, the Group's revenue was barely affected by this pandemic. Instead, revenue grew under this tough environment due to strong market demand during the six months ended June 30, 2021. Currently, all of the subsidiaries have resumed operations.

### 30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the entities in the Group and the exchange rates between the foreign currencies and their respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	June 30, 2021			December 31, 2020			June 30, 2020		
	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>									
Monetary items									
USD	\$ 49,007	27.87	\$ 1,365,825	\$ 40,105	28.1	\$ 1,126,951	\$ 48,258	29.63	\$ 1,429,885
RMB	223,073	4.3155	962,672	170,790	4.3131	736,634	194,006	4.1898	812,846
Non-monetary items									
Investments accounted for using the equity method									
USD	2,055	27.87	57,274	2,041	28.1	57,339	1,899	29.63	56,272
RMB	112,459	4.3155	485,315	108,452	4.3131	467,765	108,929	4.1898	456,392
<u>Financial liabilities</u>									
Monetary items									
USD	20,663	27.87	575,878	13,131	28.1	368,981	10,764	29.63	318,937
RMB	10,467	4.3155	45,170	22,805	4.3131	98,360	21,472	4.1898	89,963

For the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, net realized and unrealized foreign exchange losses were \$14,309 thousand, \$15,812 thousand, \$3,266 thousand and \$15,100 thousand, respectively. It is impractical to disclose net foreign exchange (losses) gains by each significant foreign currency due to the variety of the foreign currency transactions.

### 31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 1)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 2)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (Table 5)

b. Information about reinvestment

Information on investees (Table 6)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 7):
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.
  - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)

### 32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the geographical segments as its operating segments. The Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Taiwan segment - Prosperity Dielectrics Co., Ltd.  
- PDC Prime Holdings Limited  
- Frontec International Corporation  
- PDC Success Investments Ltd.

- China segment - PDC Electronics (Suzhou) Co., Ltd.  
 - Dongguan Frontier Electronics Co., Ltd.  
 - Hunan Frontier Electronics Co., Ltd.  
 - Frontier Components Co., Limited  
 - Prosperity International Development (HK) Co., Limited  
 - Prosperity Frontier Electronics (Shenzhen) Co., Ltd.  
 - Prosperity Frontier Electronics (Guangzhou) Co., Ltd.

a. Segment revenue and results

The following tables detail the Group's segment revenue and results by reportable segments for the six months ended June 30, 2021 and 2020.

	<b>For the Six Months Ended June 30, 2021</b>			
	<b>Taiwan Segment</b>	<b>China Segment</b>	<b>Adjustments and Eliminations</b>	<b>Total</b>
Net sales	\$ 2,476,647	\$ 2,024,211	\$ (1,411,781)	\$ 3,089,077
Cost of sales	(1,831,710)	(1,888,825)	1,421,513	(2,299,022)
Unrealized gain on inter-affiliate accounts	<u>1,627</u>	<u>-</u>	<u>(1,627)</u>	<u>-</u>
Gross profit	646,564	135,386	8,105	790,055
Operating expenses	<u>(179,190)</u>	<u>(20,699)</u>	<u>(8,000)</u>	<u>(207,889)</u>
Profit from operations	467,374	114,687	105	582,166
Non-operating income and expenses	<u>136,443</u>	<u>24,831</u>	<u>(112,920)</u>	<u>48,354</u>
Profit before income tax	<u>\$ 603,817</u>	<u>\$ 139,518</u>	<u>\$ (112,815)</u>	<u>\$ 630,520</u>
	<b>For the Six Months Ended June 30, 2020</b>			
	<b>Taiwan Segment</b>	<b>China Segment</b>	<b>Adjustments and Eliminations</b>	<b>Total</b>
Net sales	\$ 1,936,387	\$ 1,587,231	\$ (1,123,519)	\$ 2,400,099
Cost of sales	(1,460,356)	(1,439,523)	1,135,023	(1,764,856)
Unrealized gain on inter-affiliate accounts	<u>2,814</u>	<u>-</u>	<u>(2,814)</u>	<u>-</u>
Gross profit	478,845	147,708	8,690	635,243
Operating expenses	<u>(163,794)</u>	<u>(20,582)</u>	<u>(8,000)</u>	<u>(192,376)</u>
Profit from operations	315,051	127,126	690	442,867
Non-operating income and expenses	<u>66,061</u>	<u>3,053</u>	<u>(111,794)</u>	<u>(42,680)</u>
Profit before income tax	<u>\$ 381,112</u>	<u>\$ 130,179</u>	<u>\$ (111,104)</u>	<u>\$ 400,187</u>

b. Segment assets and liabilities

Segment assets

	<b>June 30, 2021</b>			
	<b>Taiwan Segment</b>	<b>China Segment</b>	<b>Adjustments and Eliminations</b>	<b>Total</b>
Cash and cash equivalents	\$ 805,864	\$ 710,183	\$ -	\$ 1,516,047
Notes and trade receivables	1,171,916	965,404	(759,163)	1,378,157
Inventories	717,143	47,563	(10,874)	753,832
Other current assets	<u>527,170</u>	<u>146,805</u>	<u>(2,205)</u>	<u>671,770</u>
Total current assets	<u>3,222,093</u>	<u>1,869,955</u>	<u>(772,242)</u>	<u>4,319,806</u>
Financial assets at FVTOCI - non-current	1,540,654	-	-	1,540,654
Investments accounted for using the equity method	1,675,449	542,589	(1,563,523)	654,515
Property, plant and equipment	1,940,264	130,078	-	2,070,342
Other non-current assets	<u>198,844</u>	<u>195,696</u>	<u>-</u>	<u>394,540</u>
Total assets	<u>\$ 8,577,304</u>	<u>\$ 2,738,318</u>	<u>\$ (2,335,765)</u>	<u>\$ 8,979,857</u>
	<b>December 31, 2020</b>			
	<b>Taiwan Segment</b>	<b>China Segment</b>	<b>Adjustments and Eliminations</b>	<b>Total</b>
Cash and cash equivalents	\$ 759,917	\$ 463,311	\$ -	\$ 1,223,228
Notes and trade receivables	653,083	882,511	(488,819)	1,046,775
Inventories	548,801	102,563	(12,500)	638,864
Other current assets	<u>585,213</u>	<u>183,332</u>	<u>(2,168)</u>	<u>766,377</u>
Total current assets	<u>2,547,014</u>	<u>1,631,717</u>	<u>(503,487)</u>	<u>3,675,244</u>
Financial assets at FVTOCI - non-current	1,247,264	-	-	1,247,264
Investments accounted for using the equity method	1,880,603	525,104	(1,768,433)	637,274
Property, plant and equipment	1,698,010	302,341	-	2,000,351
Other non-current assets	<u>213,970</u>	<u>199,686</u>	<u>-</u>	<u>413,656</u>
Total assets	<u>\$ 7,586,861</u>	<u>\$ 2,658,848</u>	<u>\$ (2,271,920)</u>	<u>\$ 7,973,789</u>

	<b>June 30, 2020</b>			
	<b>Taiwan Segment</b>	<b>China Segment</b>	<b>Adjustments and Eliminations</b>	<b>Total</b>
Cash and cash equivalents	\$ 510,595	\$ 582,458	\$ -	\$ 1,093,053
Notes and trade receivables	893,434	801,829	(744,296)	950,967
Inventories	479,796	150,741	(16,111)	614,426
Other current assets	<u>295,584</u>	<u>333,215</u>	<u>(34,983)</u>	<u>593,816</u>
Total current assets	<u>2,179,409</u>	<u>1,868,243</u>	<u>(795,390)</u>	<u>3,252,262</u>
Financial assets at FVTOCI - non-current	909,699	-	-	909,699
Investments accounted for using the equity method	2,017,182	512,664	(1,927,930)	601,916
Property, plant and equipment	1,596,132	303,855	-	1,899,987
Other non-current assets	<u>234,971</u>	<u>193,250</u>	<u>-</u>	<u>428,221</u>
Total assets	<u>\$ 6,937,393</u>	<u>\$ 2,878,012</u>	<u>\$ (2,723,320)</u>	<u>\$ 7,092,085</u>

Segment liabilities

	<b>June 30, 2021</b>			
	<b>Taiwan Segment</b>	<b>China Segment</b>	<b>Adjustments and Eliminations</b>	<b>Total</b>
Total current liabilities	\$ 1,410,927	\$ 1,155,078	\$ (761,369)	\$ 1,804,636
Guarantee deposits received	16,946	9,936	-	26,882
Deferred income tax liabilities	142,833	-	-	142,833
Other non-current liabilities	<u>970,672</u>	<u>5,117</u>	<u>-</u>	<u>975,789</u>
Total liabilities	<u>\$ 2,541,378</u>	<u>\$ 1,170,131</u>	<u>\$ (761,369)</u>	<u>\$ 2,950,140</u>

	<b>December 31, 2020</b>			
	<b>Taiwan Segment</b>	<b>China Segment</b>	<b>Adjustments and Eliminations</b>	<b>Total</b>
Total current liabilities	\$ 1,261,660	\$ 839,159	\$ (490,988)	\$ 1,609,831
Guarantee deposits received	16,946	4,123	-	21,069
Deferred income tax liabilities	107,096	-	-	107,096
Other non-current liabilities	<u>983,300</u>	<u>314</u>	<u>-</u>	<u>983,614</u>
Total liabilities	<u>\$ 2,369,002</u>	<u>\$ 843,596</u>	<u>\$ (490,988)</u>	<u>\$ 2,721,610</u>

	<b>June 30, 2020</b>			
	<b>Taiwan Segment</b>	<b>China Segment</b>	<b>Adjustments and Eliminations</b>	<b>Total</b>
Total current liabilities	\$ 1,591,527	\$ 1,057,064	\$ (779,280)	\$ 1,869,311
Guarantee deposits received	11,221	3,099	-	14,320
Deferred income tax liabilities	20,652	-	-	20,652
Other non-current liabilities	<u>813,911</u>	<u>2,128</u>	<u>-</u>	<u>816,039</u>
Total liabilities	<u>\$ 2,437,311</u>	<u>\$ 1,062,291</u>	<u>\$ (779,280)</u>	<u>\$ 2,720,322</u>

All intercompany transactions had been eliminated upon consolidation.

## PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

JUNE 30, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Prosperity Dielectrics Co., Ltd.	<u>Listed shares</u>							
	Walton Advanced Engineering Inc.	The chairman of the securities issuer is the same as the Company's	Financial assets at fair value through other comprehensive income - non-current	31,915,536	\$ 596,821	6.12	\$ 596,821	
	Walsin Lihwa Corporation	The chairman of the securities issuer is the second degree of kinship of the Company	"	7,000,000	205,100	0.20	205,100	
	HannStar Board Corporation	The chairman of the securities issuer is the same as the Company's	"	5,668,332	269,813	1.07	269,813	
	Singatron Enterprise Co., Ltd.	None	"	10,301,314	255,988	8.12	255,988	
	APAQ Technology Co., Ltd.	"	"	739,000	44,118	0.83	44,118	
	APAQ Technology Co., Ltd.	"	Financial assets at fair value through profit or loss - current	4,541,000	271,098	5.10	271,098	
	Singatron Enterprise Co., Ltd.	"	"	723,717	17,984	0.57	17,984	
	Chunghwa Telecom Co., Ltd.	"	"	400,000	45,600	0.01	45,600	
	E.Sun Financial Holding Company Ltd.	"	"	300,000	7,890	-	7,890	
	Yuanta Financial Holding Co., Ltd.	"	"	300,000	8,055	-	8,055	
	Mega Financial Holding Co., Ltd.	"	"	300,000	9,855	-	9,855	
	CTBC Financial Holding Co., Ltd.	"	"	300,000	6,810	-	6,810	
		<u>Shares</u>						
	Chin-Xin Investment Co., Ltd.	The chairman of the securities issuer is the second degree of kinship of the Company	Financial assets at fair value through other comprehensive income - non-current	3,500,000	168,814	0.72	168,814	
Dongguan Frontier Electronics Co., Ltd.	<u>Treasury bonds</u>							
	2018 Book-entry 14th Treasury Coupon Bonds	None	Financial assets at fair value through profit or loss - current	97,180	43,154	-	43,154	



## PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Selling Price	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Frontec International Corporation	Hunan Frontier Electronics Co., Ltd.	Investments accounted for using the equity method	INPAQ Technology (Suzhou) Co., Ltd.	Sister company	-	\$ 364,674	-	\$ (6,068) (Note 1)	-	\$ 409,726	\$ 358,606	\$ - (Note 2)	-	\$ -

Note 1: The investment loss recognized in the current period was \$6,883 thousand and the exchange differences on the translation of the financial statements of foreign operations increased by \$815 thousand.

Note 2: It is an organizational restructuring, therefore, after excluding the exchange differences on the translation of the financial statements of foreign operations \$(64,376) thousand, the current period disposal loss of \$13,256 thousand was presented as deduction of the retained earnings.

## PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/ Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Prosperity Dielectrics Co., Ltd.	Frontier Components Co., Limited	Indirectly owned second-tier subsidiary	Sales	\$ (537,621)	(22)	No significant difference with third parties	-	-	Trade receivables \$ 346,772	30	
	Walsin Technology Corporation	Owens 43.13% of the Company's shares	Sales	(434,482)	(18)	"	-	-	Trade receivables 118,761	10	
	Walsin Technology Corporation	Owens 43.13% of the Company's shares	Purchases	328,776	24	"	-	-	Trade payables -	-	
	Hunan Frontier Electronics Co., Ltd.	Parent company indirectly owned second-tier subsidiary (subsidiary before April 2021)	Purchases	122,775	9	"	-	-	Trade payables (60,042)	(10)	
Frontier Components Co., Limited	Prosperity Dielectrics Co., Ltd.	Parent company	Purchases	537,621	56	"	-	-	Trade payables (346,772)	(46)	
	Dongguan Frontier Electronics Co., Ltd.	100% owned subsidiary	Sales	(684,757)	(68)	"	-	-	Trade receivables 306,034	55	
Dongguan Frontier Electronics Co., Ltd.	Frontier Components Co., Limited	Parent company	Purchases	684,757	98	"	-	-	Trade payables (306,034)	(99)	
Frontier Components Co., Limited	Dongguan Walsin Technology Electronics Co., Ltd.	PDC's parent company indirectly owned second-tier subsidiary	Sales	(184,634)	(18)	"	-	-	Trade receivables 108,098	20	
	Dongguan Walsin Technology Electronics Co., Ltd.	PDC's parent company indirectly owned second-tier subsidiary	Purchases	351,319	36	"	-	-	Trade payables (366,116)	(49)	

**PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss	
					Amount	Actions Taken			
Prosperity Dielectrics Co., Ltd.	Frontier Components Co., Limited Walsin Technology Corporation	Indirectly owned second-tier subsidiary Parent company	Trade receivables	\$ 346,772	4.95	\$ -	-	\$ 65,191	\$ -
			Trade receivables	118,761	14.63	-	-	3,740	-
Frontier Components Co., Limited	Dongguan Frontier Electronics Co., Ltd. Dongguan Walsin Technology Electronics Co., Ltd.	100% owned subsidiary PDC's parent company indirectly owned second-tier subsidiary	Trade receivables	306,034	4.94	-	-	70,813	-
			Trade receivables	108,098	3.59	-	-	-	-

**PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2021  
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
0	Prosperity Dielectrics Co., Ltd.	Frontier Components Co., Limited	Parent company to subsidiary	Sales	\$ 537,621	No significant difference with third parties	17
				Purchases	18,188		1
				Trade receivables	346,772		4
				Trade payables	76,556		1
		Prosperity Frontier Electronics (Shenzhen) Co., Ltd. Hunan Frontier Electronics Co., Ltd.	Parent company to subsidiary Parent company to subsidiary (subsidiary before April 2021)	Purchases	39,310		1
				Purchases	81,884		3
1	Frontier Components Co., Limited	Dongguan Frontier Electronics Co., Ltd.	Subsidiary to subsidiary	Sales	684,757	22	
				Trade receivables	306,034	3	
		Hunan Frontier Electronics Co., Ltd.	Subsidiary to subsidiary (subsidiary before April 2021)	Purchases	26,511	1	

Note 1: The investee company is represented in the number column as follows:

- a. The parent company is numbered "0".
- b. The subsidiaries are numbered consecutively from "1" in the order presented in the table above.

Note 2: There are three natures of relationships regarding the flow of transactions (in the case of the same transaction between the parent company and its subsidiary or between subsidiaries, there is no need to repeat disclosure. For example: If the parent company has disclosed the transaction between the parent company and the subsidiary, the subsidiary does not need to be disclosed. If a subsidiary has disclosed the transaction between the other subsidiary and itself, the other subsidiary does not need to be disclosed).

- a. From the parent company to its subsidiary.
- b. From a subsidiary to its parent company.
- c. Between subsidiaries.

Note 3: The transaction amount as a percentage of the consolidated total revenue or total assets is calculated as follows: For balance sheet items, each item's period-end balance is shown as a percentage of consolidated total assets as of June 30, 2021. For profit or loss items, cumulative amounts are shown as a percentage of consolidated total operating revenue for the six months ended June 30, 2021.

Note 4: The decision whether or not to disclose the significant intercompany transactions was made based on the principle of materiality.

## PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

FOR THE SIX MONTHS ENDED JUNE 30, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2021	December 31, 2020	Number of Shares	%	Carrying Amount			
Prosperity Dielectrics Co., Ltd.	PDC Prime Holdings Limited	Samoa	Investment holding	\$ 728,456	\$ 728,456	23,464,538	100	\$ 1,434,687	\$ 116,296	\$ 116,296	
	Frontec International Corporation	British Virgin Islands	Overseas investment	327,140	695,113	8,221,615	100	139,710	(3,481)	(3,481)	
	Walsin Color Corporation	Taiwan	Investment holding	51,928	51,928	4,934,995	3.36	111,926	69,477	2,337	
PDC Prime Holdings Limited	PDC Success Investments Ltd.	Republic of Mauritius	Investment holding	387,932	387,932	12,009,000	100	683,693	13,000	13,000	
	Frontier Components Co., Limited	Hong Kong	International trade	250,858 (Note 2)	250,858 (Note 2)	70,036,752	100	687,898	103,671	103,671	
	Prosperity International Development (HK) Co., Ltd.	Hong Kong	Investment holding	66,916 (Note 2)	66,916 (Note 2)	2,401,000	100	57,296	(328)	(328)	
Prosperity International Development (HK) Co., Ltd.	GHPW Enterprise Corporation (HK) Limited	Hong Kong	Investment holding	66,888 (Note 2)	68,888 (Note 2)	2,400,000	10	57,274	(3,284)	(328)	

Note 1: For the information on investees in mainland China, refer to Table 7.

Note 2: The closing exchange rate as of June 30, 2021 was used to convert the foreign currencies into New Taiwan dollars. The closing exchange rate as of June 30, 2021 was US\$ to NT\$ = 1:27.87

## PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA OF PROSPERITY DIELECTRICS CO., LTD.  
FOR THE SIX MONTHS ENDED JUNE 30, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1.

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2021 (Note 3)	Accumulated Repatriation of Investment Income as of June 30, 2021
					Outward	Inward						
PDC Electronics (Suzhou) Co., Ltd.	Manufacturing of electronic parts and ceramic components	\$ 334,440 (US\$ 12,000,000)	Note 1	\$ 334,440 (US\$ 12,000,000)	\$ -	\$ -	\$ 334,440 (US\$ 12,000,000)	\$ 13,002	100	\$ 13,002	\$ 683,440	\$ 70,710 (US\$ 2,537,141)
Dongguan Frontier Electronics Co., Ltd.	Selling of transformer, coils and rectifier diode	170,007 (US\$ 6,100,000)	Note 1	170,007 (US\$ 6,100,000)	-	-	170,007 (US\$ 6,100,000)	64,369	100	64,369	374,252	91,391 (US\$ 3,279,186)
Hunan Frontier Electronics Co., Ltd.	Manufacturing and selling of transformer, coils and magnetic component	445,920 (US\$ 16,000,000) (Note 6)	Note 1	445,920 (US\$ 16,000,000)	-	415,244 (US\$ 14,899,335)	30,676 (US\$ 1,100,665)	(11,809)	-	(6,883)	-	-
Chongqing Shuohong Investment Co., Ltd.	Investment management, investment consultation services	2,287,215 (RMB 530,000,000) (Note 4)	Note 1	-	-	-	-	(6,626)	20.43	(1,354)	441,028	-
Chongqing Xincheng Electronic Co., Ltd.	Selling of electronic components, real estate investment and leasing	233,563 (RMB 54,122,000) (Note 5)	Note 1	-	-	-	-	144,220	13.04	18,801	44,287	-
GHPW Enterprise Corporation (Chongqing) Limited	Business consultations, business management, consultation services and property management	668,880 (US\$ 24,000,000)	Note 1	66,888 (US\$ 2,400,000)	-	-	66,888 (US\$ 2,400,000)	(3,245)	10	(325)	57,189	-
Prosperity Frontier Electronics (Shenzhen) Co., Ltd.	Manufacturing and selling of chip components, power electronic devices and new electronic components	167,220 (US\$ 6,000,000)	Note 1	117,054 (US\$ 4,200,000)	50,166 (US\$ 1,800,000)	-	167,220 (US\$ 6,000,000)	4,266	100	3,400	139,553	-
Prosperity Frontier Electronics (Guangzhou) Co., Ltd.	Manufacturing and selling of chip components, power electronic devices and new electronic components	-	Note 1	-	-	-	-	(110)	100	(110)	(109)	-

Note 1: Investment in mainland China companies through an existing company established in a third region.

Note 2: Based on the financial statements of the investee companies reviewed by the attesting CPA of the parent company in Taiwan.

Note 3: The average exchange rate as of June 30, 2021 is used to convert the foreign currencies into New Taiwan dollars except for the investment gains and losses of the current period (converted at the average exchange rate of the six months ended June 30, 2021) if the relevant figures in this table involve foreign currencies.

Note 4: Investment amount of RMB108,290,000 was made using PDC Electronics (Suzhou) Co., Ltd.'s own capital.

Note 5: Investment amount of RMB7,055,500 was made using Frontier Electronic (Chong Qing) Co., Ltd.'s own capital, which has been transferred to Dongguan Frontier Electronics Co., Ltd. in December 2017.

Note 6: Hunan Frontier Electronics Co., Ltd. was sold to INPAQ Technology (Suzhou) Co., Ltd. in May 2021 and the share prices of RMB94,800,000, equivalent to US\$14,899,335, was repatriated.

(Continued)

2. Investment quota for mainland China:

Accumulated Outward Remittance for Investments in Mainland China as of June 30, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 892,391 (US\$ 32,019,762)	\$ 1,363,375 (US\$ 48,919,097)	(Note 2)

Note 1: The average exchange rates as of June 30, 2021 are as follows:

US\$ to NT\$ = 1:27.87  
RMB to NT\$ = 1:4.3155

The average exchange rates for the six months ended June 30, 2021 are as follows:

US\$ to NT\$ = 1:28.172  
RMB to NT\$ = 1:4.3544

Note 2: The Company has obtained the operational headquarters certification document approved by the Industrial Development Bureau of the Ministry of Economic Affairs and is exempt from the “Regulations Governing the Examination of Investment or Technical Cooperation in mainland China”.

3. Significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

Investee Company	Relationship	Transaction Type	Amount	Transaction Details			Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss
				Price	Payment Terms	Comparison with Normal Transactions	Ending Balance	%	
Prosperity Frontier Electronics (Shenzhen) Co., Ltd.	Subsidiary	Purchases	\$ 39,310	No significant difference with normal transactions	T/T	No significant difference	\$ (23,909)	(4)	\$ -

4. Circumstances in which investee mainland China companies in provide endorsements, guarantees or collaterals directly or indirectly through third-region enterprises: None.

5. Circumstances of financing provided with investee mainland China companies directly or indirectly through a third region: None.

6. Other transactions that have a material effect on the current profit and loss or financial status: None.

(Concluded)

**TABLE 8****PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
JUNE 30, 2021**

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<b>Name of Major Shareholder</b>	<b>Shares</b>	
	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
Walsin Technology Corporation	74,186,468	43.13